



CITY OF HAYWARD

AGENDA REPORT

AGENDA DATE 07/17/01

AGENDA ITEM 7

WORK SESSION ITEM

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Authorization for the City Manager to Execute Lease Amendments with American Aircraft Sales Company for Ground Leases at the Hayward Executive Airport

RECOMMENDATION:

It is recommended that City Council adopt the attached resolution which:

1. Approves the Third Amendment with American Aircraft Sales Company for Lease (Hangar Lot 2 and Parcels G-1 and G-2);
2. Approves the Fourth Amendment to American Aircraft Sales Company Lease (Hangar Lot 1); and
3. Authorizes the City Manager to execute the Amendments.

BACKGROUND:

American Aircraft Sales Company, a tenant since 1958, has two separate leases covering airport property. The first lease provides for rent on 84,619 square feet, divided into three parcels, and the second lease provides for rent on 27,115 square feet. These leases extend until 2010. In accordance with the lease provisions, American Aircraft Sales (Michael Couches) was due a rental rate review, covering all leasehold property, on January 1, 2000. Negotiations for a new rental rate value were exhaustive; hence the delay in execution of these Amendments.

The existing lease language regarding appraisal rent adjustments is difficult to interpret. Hence, past negotiations for rent adjustments consistently resulted in arbitration and litigation, with neither side satisfied as to the subsequent judgement. In addition, two (2) on-going complaints by tenant to the Federal Aviation Administration (FAA) regarding equitable rent application issues required resolution. This issue has now been resolved to the satisfaction of the City. Both the tenant and City staff now agree that clarification of the existing lease language regarding future rental increases would be a benefit. Therefore, in favor of arriving at a mutually agreeable rent increase for the remainder of the lease term, American Aircraft Sales has agreed to accept the City's "Policy Establishing Periodic Adjustments to Land Value," ("Policy") which was first established in July 1998. This will also apply to all future lease adjustment for this leasehold. American Aircraft Sales has now paid all back due rent to the City since the January 1, 2000 rental adjustment date.

This Policy for rent standardization applies to all new site leases, including renewals and/or rent adjustments (where possible) of existing leases. The established Policy is clearly written and plainly sets-forth equal rent provisions for all aviation-related tenants. It is in the City's best interest to have as many tenants as possible affected by the Policy. The key terms within these amendments are:

1. A standardized land value, establishing all future rent adjustments (for all similarly situated tenants); and
2. Rent adjustments at 5-year intervals, based on alternating CPI and market adjustment factors:
 - Commencing on January 1st, 2003, and every 10 years thereafter, there will be a rent adjustment based upon 75 percent of the Consumer Price Index (CPI) increase from the previous 5-year period with a maximum increase of 7 percent.
 - Commencing January 2008, and every 10 years thereafter, there will be a periodic appraisal and comparable land value review subject to adjustments determined through an analysis of rental rates, fees and charges for similar aeronautical land at comparable airports in the Northern California Region.

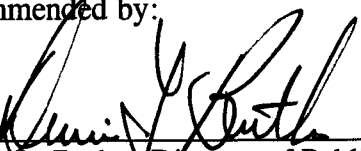
It is staff's position that these amendments represent the most beneficial rental rates for both the City and American Aircraft Sales and, therefore, recommends that the City Council authorize execution of the Third and Fourth Amendments to the Leases with American Aircraft Sales Company. In implementing this Policy, the lease rate for American Aircraft Sales Company will increase from \$871 to \$1061 per month, effective January 1, 2000. A copy of the lease amendment is available for review in the Office of the City Clerk.

Prepared by:



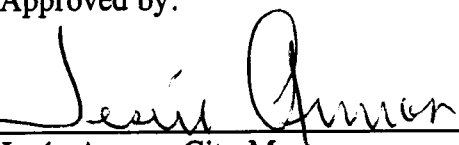
Brent S. Shiner, Airport Manager

Recommended by:



Dennis L. Butler, Director of Public Works

Approved by:



Jesús Armas, City Manager

DRAFT

HAYWARD CITY COUNCIL 

RESOLUTION NO. _____

Introduced by Council Member _____

**RESOLUTION AUTHORIZING THE CITY MANAGER
TO EXECUTE LEASE AMENDMENTS WITH
AMERICAN AIRCRAFT SALES COMPANY FOR
GROUND LEASES AT THE HAYWARD EXECUTIVE
AIRPORT**

BE IT RESOLVED, that the City Council of the City of Hayward hereby approves the Third and Fourth Amendments to the American Aircraft Sales Company Lease as described in the staff report, and authorizes the City Manager to execute the same on behalf of the City of Hayward.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2001

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward